

**HEBER CITY, UTAH  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORTS  
YEAR ENDED JUNE 30, 2005**

# **HEBER CITY**

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GREG OGDEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

November 21, 2005

Honorable Mayor  
Members of the City Council  
Heber City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information which collectively comprise the basic financial statements of Heber City, Utah (City) as of and for the year ended June 30, 2005. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 21, 2005 on my consideration of Heber City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Heber City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Heber City. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Greg Ogden,  
Certified Public Accountant

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of Heber City for the fiscal year ending June 30, 2005. Heber City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities refers to general administration, public safety, parks, streets, planning, cemetery and airport etc, while business-type activities refers to operations such as the water and sewer.

## FINANCIAL HIGHLIGHTS

- The total net assets of Heber City increased by \$4,188,587 totaling \$61,127,831. The governmental net assets increased by \$2,760,426 and the business-type net assets increased by \$1,428,161.
- The total net assets of governmental and business-type activities is \$61,127,831, and is made up of \$42,880,097 in capital assets, such as land, infrastructure and equipment, and \$18,247,734 in other net assets. The other net assets is made up of \$8,337,502 which represents Heber City's interest in Heber Light & Power, \$4,363,048 is restricted for capital projects such as water, sewer, cemetery and road system improvements, construction of a public works facility and debt service. Finally, the remaining \$5,547,184 is unrestricted net assets.
- Total long-term liabilities of the City decreased by \$298,580. No new debt was issued. A principal payment of \$103,000 was made on the 1200 South Special Improvement District Bond, principal payment of \$45,000 was made on the Sales Tax Revenue Bond for the Central School, principal payment of \$148,000 was made on the Excise Tax Bond for road improvements and \$2,580 was paid on a capital lease for a copier.
- The City has started building a new Public Works Facility. The construction of the facility will span two fiscal years. So far, \$976,046 has been expended from the road, water and sewer funds. It is expected that total construction costs will approximate \$1,600,000. The City will pay for the entire project with available resources.

## REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Heber City's basic financial statements. Heber City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

*The government-wide financial statements* are designed to provide readers with a broad overview of Heber City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Heber City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Heber City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Heber City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 13-15 of this report.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Heber City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund, Debt Service Fund and Airport Capital Project Fund. The remaining governmental funds are determined to be non-major and are included in the combining statements within this report.

- **Proprietary funds** - Heber City maintains two types of proprietary funds, the enterprise fund and the internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Heber City uses enterprise funds to account for its, Culinary/Pressurized Water Utility, Sewer Utility and Electric Utility joint venture. As determined by generally accepted accounting principles, the, culinary/pressurized water, sewer enterprise and electric utility funds meet the criteria for major fund classification. The internal service fund accounts for motor pool services that are provided to general government activities which meets the criteria for major fund classification.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Heber City, assets exceed liabilities by \$61,127,831.

By far the largest portion of Heber City's net assets (70.1%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### STATEMENT OF NET ASSETS

(In thousands of dollars)

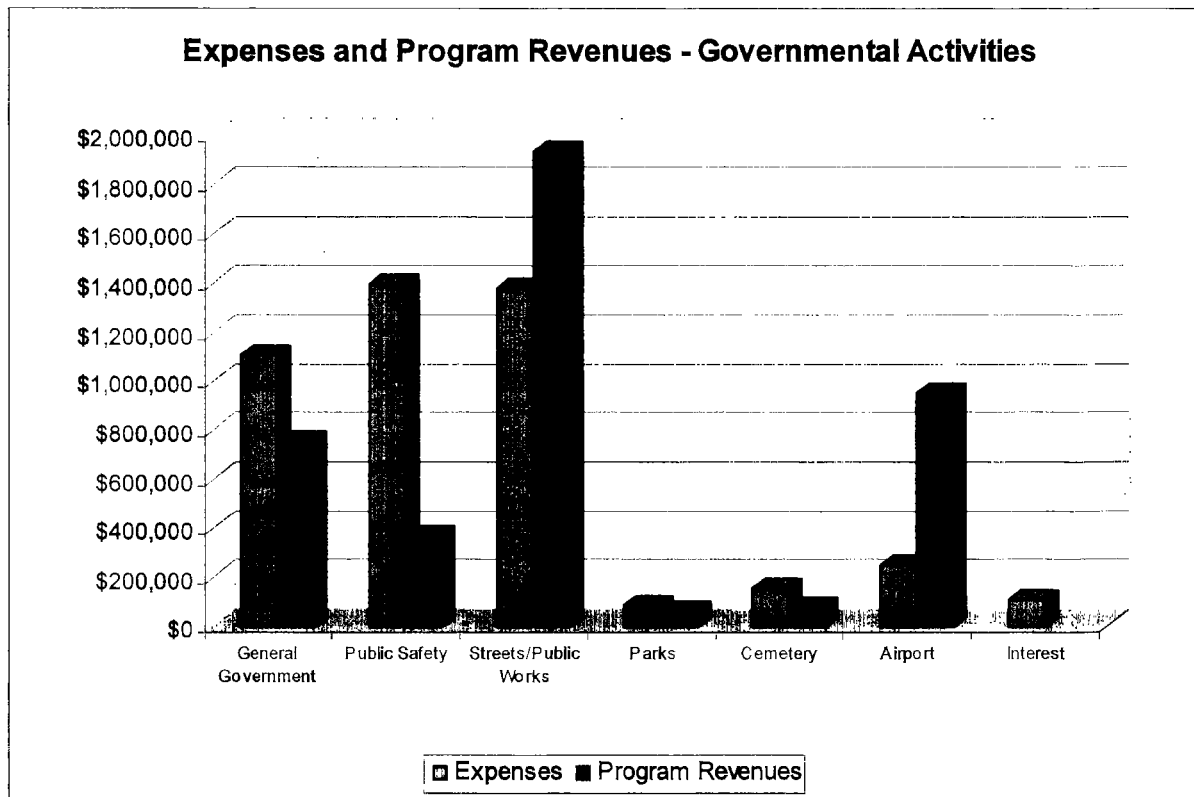
	Governmental Activities		Business-type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
Current & Other Assets	\$ 3,785	\$ 4,459	\$ 2,511	\$ 2,518
Capital Assets	32,342	29,065	27,168	25,618
Total Assets	36,127	33,524	29,679	28,136
Current Liabilities	1,422	1,313	265	149
Non Current Liabilities	2,970	3,236	21	23
Total Liabilities	4,392	4,549	286	172
Net Assets				
Invested in Capital Assets				
Net of Related Debt	26,318	24,522	16,562	15,484
Restricted	2,094	1,574	10,607	10,134
Unrestricted	3,323	2,879	2,224	2,346
Total Net Assets	\$31,735	\$28,975	\$29,393	\$27,964

**CHANGES IN NET ASSETS**  
(In thousands of dollars)

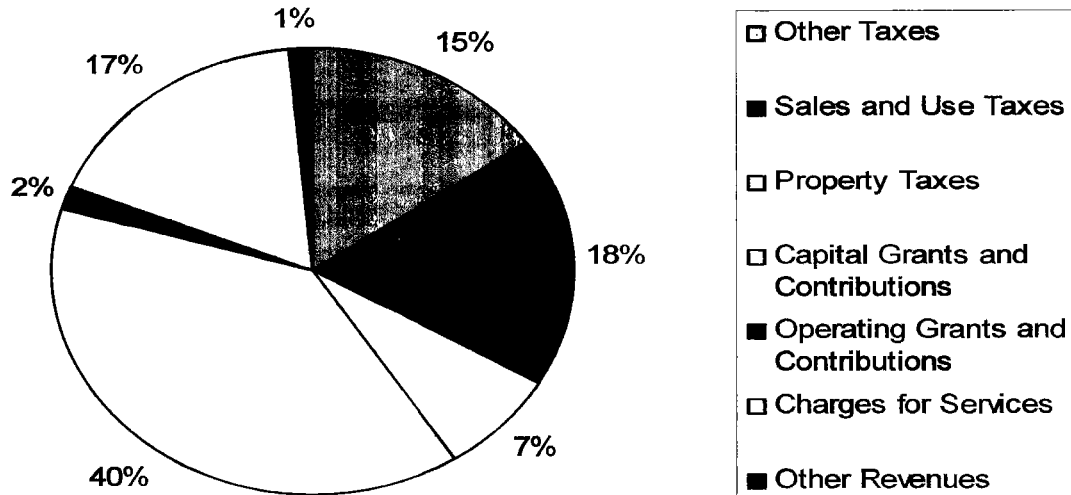
	Governmental Activities		Business-type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for Services	\$ 1,244	\$ 883	\$ 1,686	\$ 1,583
Operating Grants and Contributions	134	129	-	-
Capital Grants and Contribution	2,760	922	1,178	1,315
<b>General Revenues</b>				
Property Taxes	527	518	-	-
Sales and Use Taxes	1,302	1,184	-	-
Other Taxes	1,084	906	-	-
Other Revenues	97	58	179	757
<b>Total Revenues</b>	<b>7,148</b>	<b>4,600</b>	<b>3,043</b>	<b>3,655</b>
<b>Expenses</b>				
General Government	1,012	899	-	-
Public Safety	1,397	1,319	-	-
Streets/Public Works	1,382	1,415	-	-
Parks & Recreation	86	68	-	-
Cemetery	154	136	-	-
Airport	250	215	-	-
Interest on Long-Term Debt	107	99	-	-
Water	-	-	860	906
Sewer	-	-	755	878
<b>Total Expenses</b>	<b>4,388</b>	<b>4,151</b>	<b>1,615</b>	<b>1,784</b>
<b>Increase in Net Assets Before Transfers</b>	<b>2,760</b>	<b>449</b>	<b>1,428</b>	<b>1,871</b>
<b>Transfers</b>	<b>-</b>	<b>50</b>	<b>-</b>	<b>(50)</b>
<b>Change in Net Assets</b>	<b>2,760</b>	<b>499</b>	<b>1,428</b>	<b>1,821</b>
<b>Net Assets Beginning (07/01/04)</b>	<b>28,975</b>	<b>28,476</b>	<b>27,964</b>	<b>25,518</b>
<b>Prior Period Adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>625</b>
<b>Net Assets Ending (06/30/05)</b>	<b>\$ 31,735</b>	<b>\$ 28,975</b>	<b>\$ 29,392</b>	<b>\$ 27,964</b>

Some of the governmental activities for the fiscal year included the acquisition of the Jarvis property for airport approach protection \$509,887, purchase of additional Simpson property for airport approach protection \$374,460, partial construction of a new Public Works facility \$325,469 and crack sealing of roadways \$50,247. The major Business-type activities expenditures were used for partial construction of a new public works facility \$650,577 and replacement of Valley Hills Boulevard water line \$272,236.

The following graphs display the government-wide activities as reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not included.

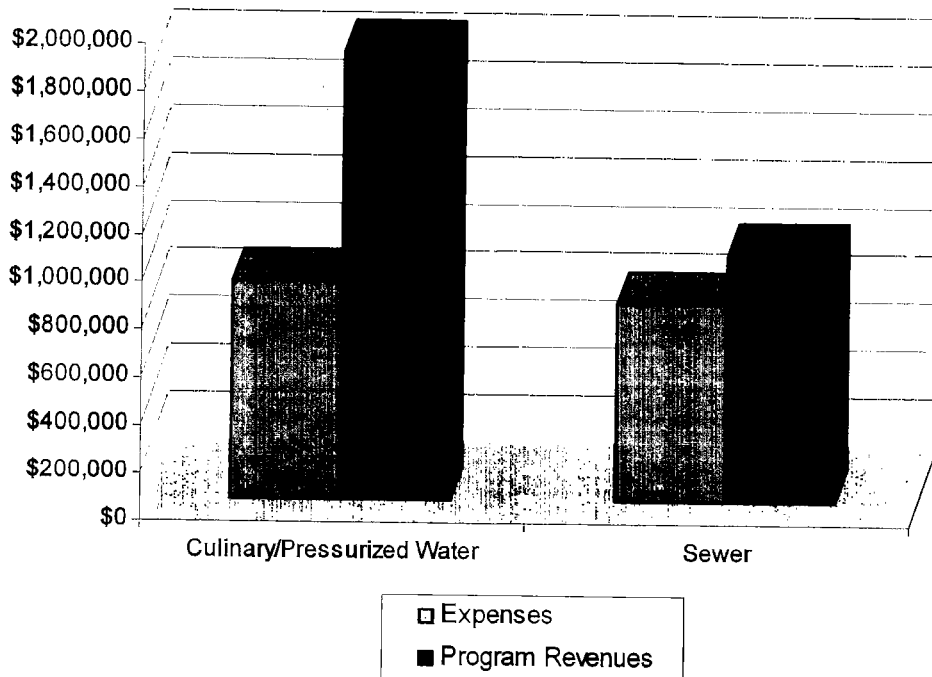


### Revenues By Source - Governmental Activities

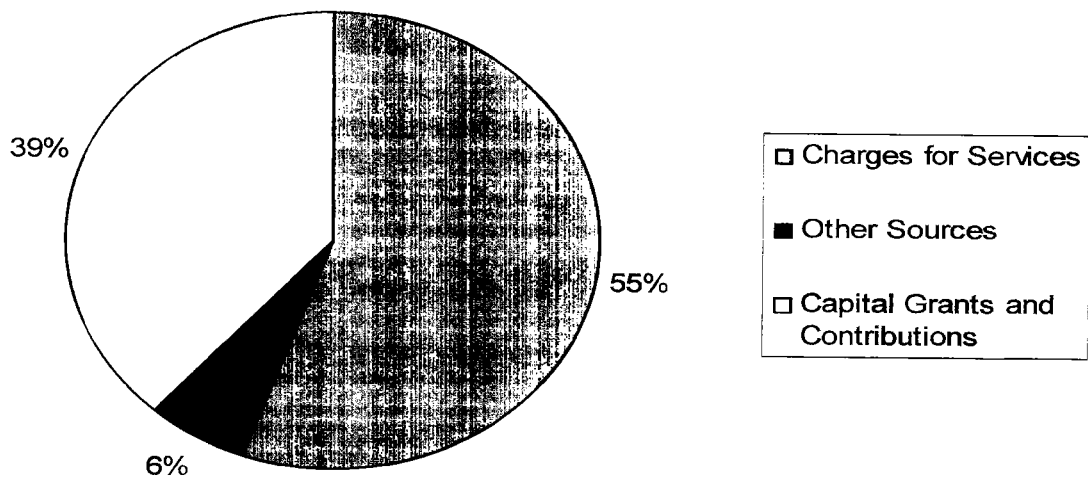


As can be seen from the following charts, the largest source of revenue in the business-type activities relate to charges for services, with 55% of the revenues coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions being developed. Other sources represent interest income and recognition of gain in the Heber Light & Power joint venture.

### Expenses and Program Revenues - Business-type Activities



### Revenue By Source - Business-type Activities



## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2005, the City's governmental funds (General and Debt Service) reported combined fund equity of \$4,565,747. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

As stated earlier, the City maintains two enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the General Fund original budget was amended to reserve an additional \$150,000 for the new public works facility, \$200,000 for a new city office, \$111,000 for a new park pavilion, \$175,000 was appropriated to purchase additional land at the airport which was primarily funded with a Federal Aviation Administration grant and \$60,000 was appropriated to pay for needed roof and heating repairs at the Police Department. Other minor adjustments were also made.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets - Heber City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$45,671,586 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, airport, etc.), and machinery and equipment. The total net increase in the City's investment in fixed assets for the current year was \$2,553,324.

Major capital asset events during the current fiscal year included the following:

- Total developer contributions were \$1,367,141.
- Construction of the public works facility \$976,046.
- Land acquisition for airport approach protection \$884,347.
- Valley Hills Boulevard water line replacement \$272,236.

**HEBER CITY'S CAPITAL ASSETS**  
(Net of depreciation, in thousands for dollars)

	Governmental Activities		Business-type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
Capital Assets Not Being Depreciated				
Land	\$ 8,601	\$ 7,349	\$ 656	\$ 656
Water Shares	-	-	1,685	1,670
Capital Assets Being Depreciated				
Buildings and Structures	1,529	1,204	708	58
Improvements and Infrastructure	26,527	25,567	18,125	17,255
Machinery, Equipment, and Vehicles	1,908	1,809	502	467
Total	38,565	35,929	21,676	20,106
Less Accumulated Depreciation	(9,456)	(8,295)	(5,114)	(4,622)
Total Capital Assets	\$ 29,109	\$ 27,634	\$ 16,562	\$ 15,484

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt - At June 30, 2004, the City had total debt outstanding of \$2,970,680. The debt consists of \$864,000 of Special Assessment Bonds that will be repaid by benefited property owners on 1200 South, \$411,000 of Sales Tax Revenue Bonds for the purchase of the Central School property, \$1,502,000 of Excise Tax Revenue Bonds that will be repaid with Class C Road funds, \$1,317 for a capital lease on a copier and the remainder comes from compensated absences and unamortized bond issuance costs.

The City has no general obligation bonded indebtedness. A general obligation bond is backed by the full faith and credit of the City. State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value.

**HEBER CITY'S OUTSTANDING DEBT**  
(In thousands of dollars)

	Governmental Activities		Business-type Activities	
	2004-2005	2003-2004	2004-2005	2003-2004
Special Assessment Bonds	\$ 864	\$ 967	\$ -	\$ -
Revenue Bonds	1,913	2,106	-	-
Capital Leases	1	4	-	-
Compensated Absences	212	182	21	19
Unamort. Bond Issuance Costs	(20)	(23)	-	-
Total	\$ 2,970	\$ 3,236	\$ 21	\$ 19

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The unemployment rate for Wasatch County (of which Heber City is a part of) was 4.2% (October 2005) compared with a state unemployment rate of 4.5% and a national rate of 5.0%. Wasatch County's unemployment rate in October 2004 was 5.7%. (Source: Utah Department of Workforce Services)

The major projects budgeted for next fiscal year include the completion of the public works facility, replacement of the Main Street Park pavilion, on-going road maintenance, construction of four taxi lanes and reconstruction of the taxiway at the airport, begin upgrade and replacement of radio read water meters, complete the development of Phase I of Muirfield Park and normal replacement of vehicles. The City Council did not impose a property tax increase and the rate was set at 0.001285.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Heber City's financial condition for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

City Manager,  
75 North Main  
Heber City, UT 84032



## BASIC FINANCIAL STATEMENTS

# HEBER CITY

## STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,585,175	\$ 2,352,580	\$ 3,937,755
Accounts Receivable, Net of Allowance for Uncollectibles	2,197,784	158,167	2,355,951
Other Assets	2,332	-	2,332
<b>TOTAL CURRENT ASSETS</b>	<b>3,785,291</b>	<b>2,510,747</b>	<b>6,296,038</b>
<b>NONCURRENT ASSETS</b>			
<b>Restricted Assets</b>			
Cash and Cash Equivalents	3,232,906	2,268,809	5,501,715
<b>Capital Assets</b>			
Non Depreciable	8,601,276	2,341,558	10,942,834
Depreciable Assets (net of Depreciation)	20,508,137	14,220,615	34,728,752
<b>Other Assets</b>			
Investment in Joint Ventures	-	8,337,502	8,337,502
<b>TOTAL NONCURRENT ASSETS</b>	<b>32,342,319</b>	<b>27,168,484</b>	<b>59,510,803</b>
<b>TOTAL ASSETS</b>	<b>36,127,610</b>	<b>29,679,231</b>	<b>65,806,841</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Expenses	601,221	265,298	866,519
Deferred Revenues	820,491	-	820,491
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,421,712</b>	<b>265,298</b>	<b>1,687,010</b>
<b>NONCURRENT LIABILITIES</b>			
Due Within One Year	360,894	21,320	382,214
Due in more than One Year	2,609,786	-	2,609,786
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,970,680</b>	<b>21,320</b>	<b>2,992,000</b>
<b>TOTAL LIABILITIES</b>	<b>4,392,392</b>	<b>286,618</b>	<b>4,679,010</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	26,317,924	16,562,173	42,880,097
<b>Restricted for</b>			
Investment in Joint Venture	-	8,337,502	8,337,502
Community Improvements	1,688,393	2,268,809	3,957,202
Perpetual Care Endowment	103,701	-	103,701
Debt Service	302,145	-	302,145
Unrestricted	3,323,055	2,224,129	5,547,184
<b>TOTAL NET ASSETS</b>	<b>\$ 31,735,218</b>	<b>\$ 29,392,613</b>	<b>\$ 61,127,831</b>

See the accompanying notes to the financial statements

# HEBER CITY

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b><u>FUNCTIONS/PROGRAMS</u></b>				
<b>Governmental Activities</b>				
General Government	\$ 1,011,813	\$ 752,790	\$ 645	\$ -
Public Safety	1,397,376	229,149	133,674	-
Public Works	1,381,819	123,750	-	1,809,440
Parks and Recreation	85,770	420	-	61,397
Cemetery	153,968	76,839	-	-
Airport	249,408	61,413	-	888,716
Interest on Long-Term Debt	107,243	-	-	-
Total Governmental Activities	<u>4,387,397</u>	<u>1,244,361</u>	<u>134,319</u>	<u>2,759,553</u>
<b>Business-type Activities</b>				
Water	859,711	913,912	-	712,902
Sewer	755,116	772,171	-	464,565
Electric	-	-	-	-
Total Business-type Activities	<u>1,614,827</u>	<u>1,686,083</u>	<u>-</u>	<u>1,177,467</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 6,002,224</u>	<u>\$ 2,930,444</u>	<u>\$ 134,319</u>	<u>\$ 3,937,020</u>

### General Revenues

Property Taxes

Vehicle Taxes

Sales Taxes

Franchise and Other Taxes

Unrestricted Investment Earnings

Miscellaneous

Joint Venture Gain (Loss)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See the accompanying notes to the financial statements

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**Net (Expense) Revenue and Changes in Net Assets**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (258,378)	-	\$ (258,378)
(1,034,553)	-	(1,034,553)
551,371	-	551,371
(23,953)	-	(23,953)
(77,129)	-	(77,129)
700,721	-	700,721
(107,243)	-	(107,243)
<u>(249,164)</u>	<u>-</u>	<u>(249,164)</u>
-	767,103	767,103
-	481,620	481,620
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>1,248,723</u>	<u>1,248,723</u>
<u>\$ (249,164)</u>	<u>\$ 1,248,723</u>	<u>\$ 999,559</u>
526,922	-	526,922
103,925	-	103,925
1,302,059	-	1,302,059
979,745	-	979,745
94,339	110,052	204,391
2,600	-	2,600
-	69,386	69,386
<u>3,009,590</u>	<u>179,438</u>	<u>3,189,028</u>
<u>2,760,426</u>	<u>1,428,161</u>	<u>4,188,587</u>
<u>28,974,792</u>	<u>27,964,452</u>	<u>56,939,244</u>
<u>\$ 31,735,218</u>	<u>\$ 29,392,613</u>	<u>\$ 61,127,831</u>

**HEBER CITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	Governmental-type Activities				
	General	Debt Service	Capital Projects- Airport	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 904,601	\$ 198,018	\$ -	\$ 4,525	\$ 1,107,144
Property Taxes Receivable	529,774	-	-	-	529,774
Grants Receivable	-	-	502,857	-	502,857
Special Assessments Receivable	-	820,491	-	-	820,491
Other Receivables	344,662	-	-	-	344,662
Due from Other Fund	442,895	-	-	-	442,895
Restricted Cash	1,990,538	-	-	1,242,368	3,232,906
Other Assets	2,332	-	-	-	2,332
<b>TOTAL ASSETS</b>	<b>\$ 4,214,802</b>	<b>\$ 1,018,509</b>	<b>\$ 502,857</b>	<b>\$ 1,246,893</b>	<b>\$ 6,983,061</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 350,241	\$ -	\$ 800	\$ 489	\$ 351,530
Due to Other Fund	-	-	442,895	-	442,895
Compensated Absences	56,577	-	-	-	56,577
Developer Escrows Payable	216,047	-	-	-	216,047
Deferred Revenue	529,774	820,491	-	-	1,350,265
<b>TOTAL LIABILITIES</b>	<b>1,152,639</b>	<b>820,491</b>	<b>443,695</b>	<b>489</b>	<b>2,417,314</b>
<b>FUND BALANCE</b>					
<b>Reserved</b>					
Class C Roads	365,174	-	-	-	365,174
Transportation Tax	691,688	-	-	-	691,688
Capital Projects	631,531	-	59,162	4,525	695,218
Debt Service	302,145	198,018	-	-	500,163
Impact Fees	-	-	-	1,138,178	1,138,178
Cemetery Perpetual Care	-	-	-	103,701	103,701
Unreserved	1,071,625	-	-	-	1,071,625
<b>TOTAL FUND EQUITY</b>	<b>3,062,163</b>	<b>198,018</b>	<b>59,162</b>	<b>1,246,404</b>	<b>4,565,747</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 4,214,802</b>	<b>\$ 1,018,509</b>	<b>\$ 502,857</b>	<b>\$ 1,246,893</b>	<b>\$ 6,983,061</b>

See the accompanying notes to the financial statements

**HEBER CITY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

---

**TOTAL GOVERNMENTAL FUND BALANCES** **\$ 4,565,747**

*Amounts reported for governmental activities in the statement of  
net assets are different because*

Capital assets used in governmental activities are not current financial  
resources and, therefore, are not reported in the funds **29,109,413**

Other long-term assets are not available to pay for current-period  
expenditures and, therefore, are deferred in the funds **529,774**

One internal service fund is used by management to charge the cost of  
vehicle maintenance to individual funds. The assets and liabilities of  
the internal service fund are included in the governmental activities of  
the statement of net assets **478,031**

Long-term liabilities are not due and payable in the current period and,  
therefore, are not reported in the funds **(2,947,747)**

**TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 31,735,218**

See the accompanying notes to the financial statements

# HEBER CITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Governmental-type Activities				Total Governmental Funds
	General	Debt Service	Capital Projects- Airport	Nonmajor Governmental Funds	
<b>REVENUES</b>					
Taxes	\$ 2,901,285	\$ -	\$ -	\$ -	\$ 2,901,285
Licenses and Permits	383,444	-	-	-	383,444
Intergovernmental	444,507	-	888,716	-	1,333,223
Charges for Services	199,403	312,932	-	27,275	539,610
Fines and Forfeitures	184,428	-	-	-	184,428
Interest	61,831	5,502	643	26,363	94,339
Miscellaneous	-	-	2,600	-	2,600
<b>TOTAL REVENUES</b>	<b>4,174,898</b>	<b>318,434</b>	<b>891,959</b>	<b>53,638</b>	<b>5,438,929</b>
<b>EXPENDITURES</b>					
General Government	1,029,522	-	-	-	1,029,522
Public Safety	1,410,998	-	-	-	1,410,998
Public Works	922,693	-	-	-	922,693
Parks and Recreation	86,565	-	-	-	86,565
Cemetery	143,901	-	-	-	143,901
Airport	43,150	-	-	-	43,150
Debt Service					
Principal	-	298,579	-	-	298,579
Interest and Finance Charges	-	108,739	-	-	108,739
Capital Outlay	-	-	921,203	59,719	980,922
<b>TOTAL EXPENDITURES</b>	<b>3,636,829</b>	<b>407,318</b>	<b>921,203</b>	<b>59,719</b>	<b>5,025,069</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>538,069</b>	<b>(88,884)</b>	<b>(29,244)</b>	<b>(6,081)</b>	<b>413,860</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Heber Light and Power Dividend	123,750	-	-	-	123,750
Impact Fees	-	-	-	362,927	362,927
Gain on Sale of Land	-	-	-	14,160	14,160
Transfers In	-	260,900	-	22,000	282,900
Transfers Out	(282,900)	-	-	-	(282,900)
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES</b>	<b>378,919</b>	<b>172,016</b>	<b>(29,244)</b>	<b>393,006</b>	<b>914,697</b>
<b>BEGINNING FUND BALANCE</b>	<b>2,683,244</b>	<b>26,002</b>	<b>88,406</b>	<b>853,398</b>	<b>3,651,050</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 3,062,163</b>	<b>\$ 198,018</b>	<b>\$ 59,162</b>	<b>\$ 1,246,404</b>	<b>\$ 4,565,747</b>

See the accompanying notes to the financial statements

# HEBER CITY

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

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EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER  
EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS \$ 914,697

*Amounts reported for governmental activities in the statement of activities  
are different because*

Property taxes will not be collected for several months after the City's fiscal  
year end. They are not considered to be available revenues in the governmental  
funds. Deferred property tax revenues increased by this amount this year. 11,366

Governmental funds report capital outlays as expenditures. In the statement  
of activities the cost of those assets is allocated over their estimated useful  
as depreciation expense. This is the amount by which capital outlays  
exceeded depreciation in the current period. 1,537,062

Issuance of long-term debt provides current financial resources to governmental  
funds. The repayment of the principal of long-term debt consumes the  
current financial resources of governmental funds. This amount is the net  
difference in the treatment of long-term debt and related items. 296,020

An internal service fund is used by management to charge the cost of fleet  
management to individual funds. The net revenues of the internal service  
is reported within the governmental activities. (26,286)

Some revenues and expenses reported in the statement of activities do not add  
to or required the use of current financial resources and, therefore, are not  
reported as revenues or expenditures in the governmental funds. 27,567

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,760,426

See the accompanying notes to the financial statements



# HEBER CITY

## BUDGETARY COMPARISON SCHEDULE

### GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual Amounts	with Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,517,500	\$ 2,517,500	\$ 2,901,285	\$ 383,785
Licenses and Permits	290,888	326,000	383,444	57,444
Intergovernmental	305,500	396,388	444,507	48,119
Charges for Services	128,500	128,500	199,403	70,903
Fines and Forfeitures	177,500	177,500	184,428	6,928
Interest	25,000	25,000	61,831	36,831
 TOTAL REVENUES	 3,444,888	 3,570,888	 4,174,898	 604,010
 <b>EXPENDITURES</b>				
General Government	947,907	1,049,907	1,029,522	20,385
Public Safety	1,382,635	1,400,635	1,410,998	(10,363)
Public Works	1,484,391	1,489,391	922,693	566,698
Parks and Recreation	110,023	110,023	86,565	23,458
Cemetery	163,407	163,407	143,901	19,506
Airport	23,300	42,300	43,150	(850)
 TOTAL EXPENDITURES	 4,111,663	 4,255,663	 3,636,829	 618,834
 <b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>				
	(666,775)	(684,775)	538,069	1,222,844
 <b>OTHER FINANCING SOURCES (USES)</b>				
Heber Light and Power Dividend	123,750	123,750	123,750	-
Transfers Out	(278,900)	(282,900)	(282,900)	-
 <b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES</b>				
	(821,925)	(843,925)	378,919	1,222,844
 <b>FUND BALANCE ALLOCATION</b>				
	821,925	843,925	-	(843,925)
 <b>EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>				
	\$ -	\$ -	\$ 378,919	\$ 378,919

See the accompanying notes to the financial statements

# HEBER CITY

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Sewer	Electric	Total Enterprise Funds	Internal Service Fund
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 1,044,770	\$ 1,307,810	\$ -	\$ 2,352,580	\$ 478,031
Accounts Receivable, Net of Allowance for Uncollectibles	92,319	65,848	-	158,167	-
<b>TOTAL CURRENT ASSETS</b>	<b>1,137,089</b>	<b>1,373,658</b>	<b>-</b>	<b>2,510,747</b>	<b>478,031</b>
<b>NONCURRENT ASSETS</b>					
<b>Restricted Assets</b>					
Cash and Cash Equivalents	1,038,364	1,230,445	-	2,268,809	-
<b>Capital Assets</b>					
Land	324,676	331,609	-	656,285	-
Water Shares	1,685,273	-	-	1,685,273	-
Buildings	351,126	357,079	-	708,205	-
Improvements	11,095,616	7,029,292	-	18,124,908	-
Machinery and Equipment	120,357	381,731	-	502,088	1,348,986
Less Accumulated Depreciation	(3,147,141)	(1,967,445)	-	(5,114,586)	(854,184)
<b>Other Assets</b>					
Investment in Joint Venture	-	-	8,337,502	8,337,502	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>11,468,271</b>	<b>7,362,711</b>	<b>8,337,502</b>	<b>27,168,484</b>	<b>494,802</b>
<b>TOTAL ASSETS</b>	<b>12,605,360</b>	<b>8,736,369</b>	<b>8,337,502</b>	<b>29,679,231</b>	<b>972,833</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	133,277	132,021	-	265,298	-
Compensated Absences	11,375	9,945	-	21,320	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>144,652</b>	<b>141,966</b>	<b>-</b>	<b>286,618</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>144,652</b>	<b>141,966</b>	<b>-</b>	<b>286,618</b>	<b>-</b>
<b>NET ASSETS</b>					
Investment in Capital Assets, Net of Related Debt	10,429,907	6,132,266	-	16,562,173	494,802
<b>Restricted</b>					
Investment in Joint Venture	-	-	8,337,502	8,337,502	-
Impact Fees	1,038,364	1,230,445	-	2,268,809	-
Unrestricted	992,437	1,231,692	-	2,224,129	478,031
<b>TOTAL NET ASSETS</b>	<b>\$ 12,460,708</b>	<b>\$ 8,594,403</b>	<b>\$ 8,337,502</b>	<b>\$ 29,392,613</b>	<b>\$ 972,833</b>

See the accompanying notes to the financial statements

# HEBER CITY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental
	Water	Sewer	Electric	Internal Service Fund
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 881,171	\$ 755,665	\$ -	\$ 1,636,836
Connection Fees	32,661	10,887	-	43,548
Miscellaneous	80	5,619	-	5,699
<b>TOTAL OPERATING REVENUES</b>	<b>913,912</b>	<b>772,171</b>	<b>-</b>	<b>1,686,083</b>
<b>OPERATING EXPENSES</b>				
Salaries, Wages and Benefits	321,446	181,858	-	503,304
Operations	239,012	380,063	-	619,075
Depreciation	299,253	193,195	-	492,448
<b>TOTAL OPERATING EXPENSES</b>	<b>859,711</b>	<b>755,116</b>	<b>-</b>	<b>1,614,827</b>
<b>OPERATING INCOME</b>	<b>54,201</b>	<b>17,055</b>	<b>-</b>	<b>14,676</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Gain on Sale of Equipment	-	-	-	-
Impact Fees	362,299	269,313	-	631,612
Interest Income	49,569	60,483	-	110,052
Increase in Joint Venture	-	-	69,386	69,386
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>411,868</b>	<b>329,796</b>	<b>69,386</b>	<b>811,050</b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>466,069</b>	<b>346,851</b>	<b>69,386</b>	<b>882,306</b>
Capital Contributions	350,603	195,252	-	545,855
<b>CHANGE IN NET ASSETS</b>	<b>816,672</b>	<b>542,103</b>	<b>69,386</b>	<b>1,428,161</b>
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR</b>	<b>11,644,036</b>	<b>8,052,300</b>	<b>8,268,116</b>	<b>27,964,452</b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b>\$ 12,460,708</b>	<b>\$ 8,594,403</b>	<b>\$ 8,337,502</b>	<b>\$ 29,392,613</b>

See the accompanying notes to the financial statements

# HEBER CITY

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Water	Sewer	Electric	Total Enterprise Funds	Internal Service Fund
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Receipts from Customers	\$ 915,150	\$ 771,851	\$ -	\$ 1,687,001	\$ 169,765
Payments to Suppliers	(224,671)	(281,175)	-	(505,846)	-
Payments to Employees	(320,624)	(181,188)	-	(501,812)	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>369,855</b>	<b>309,488</b>	<b>-</b>	<b>679,343</b>	<b>169,765</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>					
Proceeds from Sale of Capital Assets	-	-	-	-	7,009
Impact Fees	362,299	269,313	-	631,612	-
Acquisition of Capital Assets	(670,576)	(354,259)	-	(1,024,835)	(97,750)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(308,277)</b>	<b>(84,946)</b>	<b>-</b>	<b>(393,223)</b>	<b>(90,741)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>					
Interest Income	49,569	60,483	-	110,052	10,273
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>49,569</b>	<b>60,483</b>	<b>-</b>	<b>110,052</b>	<b>10,273</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>111,147</b>	<b>285,025</b>	<b>-</b>	<b>396,172</b>	<b>89,297</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,971,987</b>	<b>2,253,230</b>	<b>-</b>	<b>4,225,217</b>	<b>388,734</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 2,083,134</b>	<b>\$ 2,538,255</b>	<b>\$ -</b>	<b>\$ 4,621,389</b>	<b>\$ 478,031</b>

See the accompanying notes to the financial statements

# HEBER CITY

## STATEMENT OF CASH FLOWS (CONTINUED)

### PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Sewer	Electric	Total Enterprise Funds	Internal Service Fund
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating Income	\$ 54,201	\$ 17,055	\$ -	\$ 71,256	\$ 14,676
Adjustments					
Depreciation	299,253	193,195	-	492,448	155,089
Changes in Assets and Liabilities					
Accounts Receivable, Net	1,238	(320)	-	918	-
Accounts Payable	14,341	98,888	-	113,229	-
Compensated Absences	822	670	-	1,492	-
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 369,855</b>	<b>\$ 309,488</b>	<b>\$ -</b>	<b>\$ 679,343</b>	<b>\$ 169,765</b>

#### Noncash Financing and Investing

##### Transactions

Developer Contributions of Fixed Assets	\$ 335,663	\$ 195,252	\$ -	\$ 530,915	\$ -
Developer Contributions of Water Shares	\$ 14,940	\$ -	\$ -	\$ 14,940	\$ -
Increase in Equity in Joint Venture	\$ -	\$ -	\$ 69,386	\$ 69,386	\$ -

See the accompanying notes to the financial statements

# HEBER CITY, UTAH

## NOTES TO THE FINANCIAL STATEMENTS

### JUNE 30, 2005

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Heber City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

##### Financial Reporting Entity

Heber City is incorporated under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, City Manager, Justice Court,  
Treasurer, Recorder, Building, Planning and Zoning

Public Safety: Police and Animal Control

Public Works: Streets, Water, and Sewer

Parks and Recreation

Cemetery

Airport

##### Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NOTE 1 - (CONTINUED)

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources for the payment of principal, interest and related costs on certain general long-term debt paid primarily from taxes levied by the District. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

The *airport capital projects fund* is used to account for the acquisition of land or construction of airport capital facilities.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* accounts for the billing to citizens for the Heber Valley Special Service District's treatment operations.

## NOTE 1 - (CONTINUED)

The *electric fund* accounts for the activities of the City's joint venture with Heber Light & Power Company's electric generation and distribution operations.

Activities of these three funds include administration, operations and maintenance of the water, sewer and electric systems, and billing and collection. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### Assets, Liabilities and Fund Equity

#### A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

#### B. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

#### C. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.



## NOTE 1 - (CONTINUED)

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and Structures	20-50 years
Improvements and Infrastructure	7-50 years
Machinery and Equipment	5-15 years

### D. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate unlimited sick leave. The City's policy is to permit employees to accumulate a limited amount of earned, but unused, vacation time which will be paid to employees upon termination. The City also allows payment for accumulated sick leave to some employees at retirement or termination. Employees who have worked for the City for at least 5 years are eligible to be paid for 25 percent and employees who have worked for the City for at least 10 years are eligible to be paid for 50 percent of their accumulated sick leave.

### E. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### F. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

## NOTE 1 - (CONTINUED)

### G. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

### Deferred Revenue

Property taxes due November 30, 2005 and unpaid from 2004 are shown as deferred revenue.

### Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

## NOTE 2 - (CONTINUED)

### Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 8,601,276
Buildings and Structures	1,528,939
Improvements and Infrastructure	26,527,136
Machinery and Equipment	1,907,879
Less Accumulated Depreciation	<u>(9,455,817)</u>
Net Capital Asset Difference	<u>\$ 29,109,413</u>

### Other Long-Term Asset Differences

Property taxes due in November 2005 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2005	<u>\$ 529,774</u>
---	-------------------

### Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Accrued Interest Payable	\$ (33,644)
Revenue Bonds Payable	(2,777,000)
Unamortized Bond Issue Costs	20,472
Capital Leases Payable	(1,317)
Long-Term Compensated Absences	<u>(156,258)</u>
Total Long-Term Liability Difference	<u>\$ 2,947,747</u>

### Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

### Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 2,570,097
Depreciation Expense	<u>(1,033,035)</u>
Net Difference	<u>\$ 1,537,062</u>

## NOTE 2 - (CONTINUED)

### Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Amortization of Bond Issue Costs	\$ (2,559)
Principal Repayments	
Revenue Bonds	296,000
Capital Leases	2,579
Net Difference	<u>\$ 296,020</u>

### Other Revenue and Expense Differences

The changes in long-term compensated absences and in accrued interest payable are not reported in the statement of revenues, expenditures and changes in fund balance. Both changes are reported in the statement of activities. The details of these differences are reported below:

Change in Long-Term Compensated Absences	\$ 26,071
Change in Accrued Interest Payable	1,496
Net Difference	<u>\$ 27,567</u>

## NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor and the City Manager submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The City Manager, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

### **NOTE 3 - (CONTINUED)**

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

#### **Tax Revenues**

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1<sup>st</sup> and are delinquent after November 30<sup>th</sup> of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30<sup>th</sup> and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30<sup>th</sup>.

### **NOTE 4 - DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

#### **Deposits**

##### ***Custodial Credit Risk***

Custodial Credit Risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$52,838 of the City's bank balances of \$229,809 were uninsured and uncollateralized.

At June 30, 2005, the carrying amount and the bank balance of the City's bank deposits was \$221,028 and \$229,809, respectively.

## NOTE 4 - (CONTINUED)

### Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

As of June 30, 2005, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund	\$ 9,002,348	\$ 9,002,348	\$ -	\$ -	\$ -
U.S. Treasuries	<u>215,744</u>	-	-	<u>215,744</u>	-
Total Investments	<u>\$ 9,218,092</u>	<u>\$ 9,002,348</u>	<u>\$ -</u>	<u>\$ 215,744</u>	<u>\$ -</u>

## NOTE 4 - (CONTINUED)

### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. As of June 30, 2005, the City had \$215,744 in U.S. Treasury accounts which were held by the counterparty's trust departments or agents but not in the government's name.

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 221,028
Investments	9,218,092
Cash on Hand	<u>350</u>
Total	<u>\$ 9,439,470</u>
Cash and Cash Equivalents	\$ 3,937,755
Restricted Cash and Cash Equivalents	<u>5,501,715</u>
Total	<u>\$ 9,439,470</u>

## NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2005 are presented in the schedule below.

Property taxes are levied on January 1 of 2005, are due in November of 2005, and are budgeted for the 2005 fiscal year. Even though they are not intended to fund the 2005 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current period is considered susceptible to accrual as revenue of the current period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2005:

	Governmental Activities	Business-type Activities	Total
Accounts Receivable	\$ -	\$ 160,167	\$ 160,167
Allowance for Uncollectibles	-	(2,000)	(2,000)
Grants Receivable	502,857	-	502,857
Property Taxes Receivable	529,774	-	529,774
Special Assessment Receivable	820,491	-	820,491
Other Receivables	<u>344,662</u>	<u>-</u>	<u>344,662</u>
Total	<u>\$ 2,197,784</u>	<u>\$ 158,167</u>	<u>\$ 2,355,951</u>

## NOTE 6 - CAPITAL ASSETS

Several prior period adjustments to capital assets were required due to the implementation of GASB Statement No. 34. Those adjustments are reflected in the prior period adjustment columns of the schedules below.

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2005.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 7,349,305	\$ 1,251,971	\$ -	\$ 8,601,276
Capital Assets being Depreciated				
Buildings and Structures	1,203,470	325,469	-	1,528,939
Improvements and Infrastructure	25,566,836	960,300	-	26,527,136
Machinery and Vehicles	1,809,396	131,138	(32,655)	1,907,879
Total	35,929,007	2,668,878	(32,655)	38,565,230
Less Accumulated Depreciation	(8,294,676)	(1,188,123)	26,982	(9,455,817)
Governmental Activities Capital Assets, Net	<u>\$27,634,331</u>	<u>\$ 1,480,755</u>	<u>\$ (5,673)</u>	<u>\$29,109,413</u>

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2005.

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 656,285	\$ -	\$ -	\$ 656,285
Water Shares	1,670,333	14,940	-	1,685,273
Capital Assets being Depreciated				
Buildings and Structures	57,628	650,577	-	708,205
Improvements and Infrastructure	17,254,435	870,473	-	18,124,908
Machinery and Vehicles	467,388	34,700	-	502,088
Total	20,106,069	1,570,690	-	21,676,759
Less Accumulated Depreciation	(4,622,138)	(492,448)	-	(5,114,586)
Business-type Activities Capital Assets, Net	<u>\$15,483,931</u>	<u>\$ 1,078,242</u>	<u>\$ -</u>	<u>\$16,562,173</u>



## NOTE 6 - (CONTINUED)

Depreciation was charged to the functions/programs of the primary government as follows:

<b>Governmental Activities</b>	
General Government	\$ 23,824
Public Safety	13,616
Public Works	768,116
Parks and Recreation	5,108
Cemetery	15,852
Airport	206,519
Internal Service Fund	<u>155,088</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 1,188,123</u>
<b>Business-type Activities</b>	
Water	\$ 299,253
Sewer	<u>193,195</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 492,448</u>

## NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts Payable	\$ 351,530	\$ 265,298
Accrued Interest Payable	33,644	-
Developer and Subdivision Bonds Payable	<u>216,047</u>	<u>-</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 601,221</u>	<u>\$ 265,298</u>

The City collects deposits from those wishing to develop subdivisions within the City. These amounts are deposited into the City's bank account. The original deposit and any interest earned on the accounts is returned to the developer after the related project is completed.

## NOTE 8 - INVESTMENT IN JOINT VENTURE

### HEBER LIGHT & POWER COMPANY

The City is party to a joint venture with Midway and Charleston, neighboring municipalities. The joint venture was created by the three municipalities to provide electric services to their communities. Additional information is as follows:

a. Participants and their percentage shares:

Heber City	75.0%
Charleston	12.5%
Midway	12.5%

b. The utility is governed by the Power Board which is selected from the Mayor and City Council of the participating municipalities.

# NOTE 8 - (CONTINUED)

- c. The Power Board governs the operations of the utility through management employed by the Board. Since the utility is subject to the same laws as the creating entities, it must follow state law for cities in the areas of fiscal management, budgeting, and financing. As the governing board is made up of the participants' mayors and appointees from the city councils, each participant has indirect control over these matters.

- d. Summary financial information, as of the joint venture's last year end of December 31, 2004 is as follows:

	Heber Light and Power	Heber City's Share
Total Assets	\$16,680,576	\$12,510,432
Total Liabilities	<u>5,563,907</u>	<u>4,172,930</u>
Net Assets	<u>\$11,116,669</u>	<u>\$ 8,337,502</u>
Total Operating Revenues	\$ 8,598,358	\$ 6,448,769
Cost of Sales	<u>7,385,729</u>	<u>5,539,297</u>
Gross Profit (Loss)	1,212,629	909,472
Operating Expenses	<u>1,117,164</u>	<u>837,873</u>
Net Operating Income	95,465	71,599
Non-Operating Income	86,087	64,565
Non-Operating Expense	<u>(222,501)</u>	<u>(166,876)</u>
Net Income (Loss)	(40,949)	(30,712)
Capital Contributed by Developers	298,464	223,848
Less Withdrawals	<u>(165,000)</u>	<u>(123,750)</u>
Net Increase in Retained Earnings	<u>\$ 92,515</u>	<u>\$ 69,386</u>

- e. The joint venture has the following long-term debt:

	Total Amount
Revenue Bonds, Series 2002	\$ 4,745,000
Meter Deposits - Unsecured	<u>32,837</u>
	4,777,837
Less Current Portion	<u>(150,000)</u>
Net Long-Term Debt	<u>\$ 4,627,837</u>

- f. Audited financial statements for Heber Light and Power are available at Heber Light and Power's office.

## NOTE 9 - CAPITAL LEASES

The City has entered into lease agreements, as the lessee, to finance the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All City lease contracts contain a fiscal non-funding clause, which gives the City Council the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of City management, the likelihood of this clause being exercised is remote.

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2005:

Year Ending June 30, 2006	Governmental Activities
	\$ 1,331
Interest Portion	<u>(14)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,317</u>

## NOTE 10 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Special Assessment Bonds					
2001 Bonds	\$ 967,000	\$ -	\$ (103,000)	\$ 864,000	\$ 107,000
Revenue Bonds					
2003 Sales Tax	456,000	-	(45,000)	411,000	46,000
2003 Excise Tax	1,650,000	-	(148,000)	1,502,000	150,000
Capital Leases					
2003 Sharp Copier	3,897	-	(2,580)	1,317	1,317
Compensated Absences	<u>182,329</u>	<u>30,506</u>	<u>-</u>	<u>212,835</u>	<u>56,577</u>
	<u>\$ 3,259,226</u>	<u>\$ 30,506</u>	<u>\$ (298,580)</u>	2,991,152	<u>\$ 360,894</u>
Unamortized Bond Issuance Costs				<u>(20,472)</u>	
				<u>\$ 2,970,680</u>	

## NOTE 10 - (CONTINUED)

Long-term debt and obligations payable at June 30, 2005 were as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<b>Bonds Payable</b>				
Special Assessment Bonds, Series 2001, Dated August 23, 2001 (original amount--\$1,355,000)	3.60% to 5.15%	2012	\$ 107,000	\$ 757,000
Sales Tax Revenue Bonds, Series 2003, Dated March 25, 2003 (original amount--\$500,000)	1.90% to 3.95%	2013	46,000	365,000
Class C Road Excise Tax Revenue Bonds, Series 2003, Dated July 30, 2003 (original amount--\$1,650,000)	1.60% to 3.65%	2014	150,000	1,352,000
Capital Leases Payable				
Sharp Copier (original amount--\$7,670)	5.90%	2006	1,317	-
Compensated Absences			56,577	156,258
Unamortized Bond Issuance Costs			-	(20,472)
<b>Total Governmental Activities Long-term Debt</b>			<b>\$ 360,894</b>	<b>\$ 2,609,786</b>

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 303,000	\$ 98,010
2007	312,000	88,973
2008	323,000	78,877
2009	334,000	67,681
2010	347,000	55,514
2010-2014	1,158,000	85,698
	<u>\$2,777,000</u>	<u>\$ 474,753</u>

## NOTE 11 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the general fund. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. A perpetual trust fund is designed to provide future operating costs for the cemetery. Funds are collected at the time a lot is sold and a percentage of the fee is transferred to the trust fund. In addition, funds have been designated for various capital projects.

## **NOTE 12 - RETIREMENT PLANS**

### **Plan Description**

Heber City contributes to the Local Governmental Noncontributory Retirement System, the Public Safety Contributory Retirement System, and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

### **Funding Policy**

In the Local Governmental Noncontributory Retirement System, Heber City is required to contribute 11.09% of plan members' annual covered salary. In the Public Safety Noncontributory Retirement System, Heber City is required to contribute 19.08% of plan members' annual covered salary. The contribution rates are the actuarially determine rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Heber City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2005, 2004, and 2003 were \$111,063, \$93,044 and \$78,252 respectively. Contributions for the Public Safety Noncontributory Retirement System for June 30, 2005, 2004 and 2003 were \$81,991, \$65,343 and \$51,006 respectively. The contributions were equal to the required contributions for each year.

## **NOTE 13 - DEFERRED COMPENSATION PLANS**

The City sponsors a defined contribution deferred compensation plan administered by The Utah Retirement Systems under the Internal Revenue Code Section 401(k) for City employees covered by the State's noncontributory retirement plans. The plan, available to certain permanent full and some part-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City contributes a total of 12% to the Public Employee Non-Contributory Retirement Plan. Any contribution in excess of the amount that is required to pay for the defined benefit is allocated to the employees 401(k). During fiscal year 2004-2005 the City was required to pay 11.09% to the defined benefit program and .91% to the employee 410(k). During the years ended June 30, 2005, 2004 and 2003 contributions totaling \$37,100, \$33,615 and \$29,807, respectively, were made to the plan by employees and \$21,870, \$33,295 and \$38,248 respectively, by the City.

### NOTE 13 - (CONTINUED)

The City sponsors a defined contribution deferred compensation plan administered by The Utah Retirement Systems under the Internal Revenue Code Section 457 for City employees covered by the State's noncontributory retirement plans. The plan, available to certain permanent full and some part-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City allows employees who are exempted from the defined benefit program to invest the City's 12% retirement contribution into the 457 plan. During the years ended June 30, 2005, 2004 and 2003 contributions totaling \$15,845, \$18,165 and \$14,587, respectively, were made to the plan by employees and \$21,327, \$20,173 and \$18,685 respectively, were made by the City.

### NOTE 14 - RISK MANAGEMENT

Heber City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is unable to obtain insurance to cover most of these risks at a cost it considered to be economically justifiable. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage.

The City also carries comprehensive general liability insurance coverage through Utah Local Governments Trust. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

### NOTE 15 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	<u>In</u>	<u>Out</u>
General Fund	\$ -	\$ 282,900
Debt Service	260,900	-
Industrial Park	22,000	-
	<u>\$ 282,900</u>	<u>\$ 282,900</u>



**SUPPLEMENTARY INFORMATION**



**HEBER CITY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	Industrial Park	Storm Drainage	Streets	Parks	Permanent Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 4,525	\$ -	\$ -	\$ -	\$ -	\$ 4,525
Grants Receivable	-	-	-	-	-	-
Restricted Cash	-	377,880	517,793	242,994	103,701	1,242,368
<b>TOTAL ASSETS</b>	<b>\$ 4,525</b>	<b>\$ 377,880</b>	<b>\$ 517,793</b>	<b>\$ 242,994</b>	<b>\$ 103,701</b>	<b>\$ 1,246,893</b>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ -	\$ -	\$ -	\$ 489	\$ -	\$ 489
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>489</b>	<b>-</b>	<b>489</b>
<b>FUND BALANCE</b>						
<b>Reserved</b>						
Capital Projects	4,525	-	-	-	-	4,525
Impact Fees	-	377,880	517,793	242,505	-	1,138,178
Cemetery Perpetual Care	-	-	-	-	103,701	103,701
<b>TOTAL FUND EQUITY</b>	<b>4,525</b>	<b>377,880</b>	<b>517,793</b>	<b>242,505</b>	<b>103,701</b>	<b>1,246,404</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 4,525</b>	<b>\$ 377,880</b>	<b>\$ 517,793</b>	<b>\$ 242,994</b>	<b>\$ 103,701</b>	<b>\$ 1,246,893</b>

# HEBER CITY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Industrial Park	Storm Drainage	Streets	Parks	Permanent Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>						
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ 27,275	\$ 27,275
Interest	147	8,552	10,047	5,456	2,161	26,363
<b>TOTAL REVENUES</b>	<b>147</b>	<b>8,552</b>	<b>10,047</b>	<b>5,456</b>	<b>29,436</b>	<b>53,638</b>
<b>EXPENDITURES</b>						
Capital Outlay	36,023	718	718	22,260	-	59,719
<b>TOTAL EXPENDITURES</b>	<b>36,023</b>	<b>718</b>	<b>718</b>	<b>22,260</b>	<b>-</b>	<b>59,719</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(35,876)</b>	<b>7,834</b>	<b>9,329</b>	<b>(16,804)</b>	<b>29,436</b>	<b>(6,081)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Impact Fees	-	66,852	234,678	61,397	-	362,927
Gain on Sale of Land	14,160	-	-	-	-	14,160
Transfers In	22,000	-	-	-	-	22,000
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER (USES)</b>	<b>284</b>	<b>74,686</b>	<b>244,007</b>	<b>44,593</b>	<b>29,436</b>	<b>393,006</b>
<b>BEGINNING FUND BALANCE</b>	<b>4,241</b>	<b>303,194</b>	<b>273,786</b>	<b>197,912</b>	<b>74,265</b>	<b>853,398</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 4,525</b>	<b>\$ 377,880</b>	<b>\$ 517,793</b>	<b>\$ 242,505</b>	<b>\$ 103,701</b>	<b>\$ 1,246,404</b>

**STATE LEGAL COMPLIANCE REPORT**

**GREG OGDEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

November 21, 2005

The Honorable Mayor  
Members of the City Council  
Heber City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of Heber City, Utah, for the year ended June 30, 2005, and have issued my report thereon dated November 21, 2005. As part of my audit, I have audited Heber City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

"C" Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The City also received the following nonmajor grant which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the City's financial statements.)

Development of Public Airports Grant  
CERT Grant

Safe Sidewalk Grant  
Justice Court Grant

My audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property  
Tax Limitations  
Class C Road Funds


Special Districts  
Other General Issues  
Uniform Building Code Standards  
Liquor Law Enforcement  
Justice Court  
Impact Fees  
Asset Forfeiture

The management of Heber City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, Heber City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

  
Greg Ogden,  
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801)489-8408

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 21, 2005

Honorable Mayor  
Members of the City Council  
Heber City, Utah

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Heber City, Utah, as of and for the year ended June 30, 2005, which collectively comprise Heber City, Utah's basic financial statements and have issued my report thereon dated November 21, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Heber City, Utah's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**Compliance**

As part of obtaining reasonable assurance about whether Heber City, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

  
Greg Ogden  
Certified Public Accountant



SINGLE AUDIT REPORTS

GREG OGDEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 21, 2005

Honorable Mayor  
Members of the City Council  
Heber City, Utah

Council Members:

Compliance

I have audited the compliance of Heber City, Utah, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Heber City, Utah's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Heber City, Utah's management. My responsibility is to express an opinion on Heber City, Utah's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about Heber City, Utah's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Heber City, Utah's compliance with those requirements.

In my opinion, Heber City, Utah complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of Heber City, Utah is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Heber City, Utah's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Greg Ogden  
Certified Public Accountant

**HEBER CITY, UTAH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2005**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>TOTAL EXPENDI- TURES</u>
<u>U.S. Department of Transportation</u>			
Passed through State Department of Transportation			
Division of Aeronautics			
Airport Improvement Program	20.106.16	3-49-0011-16	\$ 375,708
Airport Improvement Program	20.106.17	3-49-0011-17	543,262
Airport Improvement Program	20.106.18	3-49-0011-18	<u>2,233</u>
Total Department of Transportation			<u>921,203</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Utah Department of Health			
Preventive Health and Health Services			
Block Grant	93.991		<u>19,827</u>
Total Department of Health and Human Services			<u>19,827</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Wasatch County			
Homeland Security Grant Program	97.067		<u>3,385</u>
Total Department Homeland Security			<u>3,385</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ <u>944,415</u></b>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Heber City, Utah and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**HEBER CITY, UTAH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expressed an unqualified opinion on the financial statements of Heber City, Utah.
2. No reportable conditions were disclosed during the audit of the financial statements of Heber City, Utah.
3. No instances of noncompliance material to the financial statements of Heber City, Utah, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions in internal control over major federal award programs are reported.
5. The auditor's report on compliance for the major federal award programs for Heber City, Utah expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 as reported in Section C of this schedule.
7. The program "Airport Improvement Program", CFDA number 20.106, was tested as a major program.
8. The threshold for distinguishing Types A and B programs was \$500,000.
9. Heber City, Utah was not qualified as a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

None reported.

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None reported.

HEBER CITY, UTAH

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MANAGEMENT LETTER  
JUNE 30, 2005  
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**GREG OGDEN, CPA  
1761 EAST 850 SOUTH  
SPRINGVILLE, UT 84663  
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

November 21, 2005

Honorable Mayor  
Members of the City Council  
Heber City, UT

**Council Members:**

The primary purpose of my audit of the basic financial statements of Heber City, Utah for the year ended June 30, 2005, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2005. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the City's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of Heber City. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.

  
Greg Ogden,  
Certified Public Accountant

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### STATE COMPLIANCE FINDING

#### FINDING - GENERAL FUND BALANCE IN EXCESS OF AMOUNT ALLOWED

The City is allowed to maintain an unreserved general fund balance not to exceed 18% of total estimated general fund revenues. The current unreserved general fund balance of \$1,071,625 is approximately \$300,000 in excess of the maximum allowed.

#### RECOMMENDATION

I recommend that the unreserved general fund balance be brought into compliance with State requirements.

#### RESPONSE - HEBER CITY

Some of the excess funds have already been appropriated in the 2005-2006 budget. The remaining funds will be appropriated or reserved for a specific purpose during the 2005-2006 budget.

### INTERNAL CONTROL FINDING

#### FINDING - EXPENDITURES IN EXCESS OF BUDGET

For the year ended June 30, 2005, expenditures exceeded the budget in two departments. The budget is the City's legal spending limit. The public safety budget was overspent by \$10,363 and the airport budget was overspent by \$850.

#### RECOMMENDATION

I recommend that you continue to review the budget periodically during the year. If the budget requires amendment, I recommend adoption of an amended budget. Also, all amendments increasing the budget should be presented to the public in a public hearing.

#### RESPONSE - HEBER CITY

We will continue to closely monitor our budget. We will amend it as necessary to comply with state law.



# HEBER CITY CORPORATION

Mayor  
Councilmembers

David R. Phillips  
Terry Wm. Lango  
Vaun A. Chaffin  
Shari L. Loomby  
Jeffery M. Bradshaw  
Elizabeth M. Peterson

City Manager

Mark K. Anderson, City Manager

February 14, 2006

MacRay A. Curtis  
Director, Local Government Division  
Utah State Capitol Complex  
East Office Building, Suite E310  
PO Box 142310  
Salt Lake City, UT 84114-2310

RE: Corrective Action Plan

Dear Mac:

First, I would indicate that it is my understanding that the City is in compliance if the following year's budget appropriates sufficient monies to get the City below the 18% limitation. Secondly, it is very difficult to budget large construction projects in the General Fund because the fiscal year end is in the middle of a short construction season. Oft times construction projects are delayed and monies may not be spent as fast as anticipated.

Heber City would submit the following:

Responsible/Contact Person: Mark K. Anderson, City Manager

Heber City would propose to reduce the unappropriated surplus to be within legal limits by restricting funds for specific purposes, if necessary, though the budget amendment process when we have a clearer picture of where the City will end up financially. This should occur prior to June 30, 2006.

I am hopeful that this letter will satisfy your requirements. If you have additional questions or concerns, please contact me.

Thank you,



Mark K. Anderson

City Manager

cc: file